

A modern lounge area with blue leather seating and curved walls displaying a blue-toned landscape image. The room features a wooden floor with colorful light projections and a curved wall with a large digital display showing a blue-toned landscape. The ceiling is high with exposed lighting rigs. In the background, there are glass-walled areas and a store with a red sign.

2019

Business review, January–June

FINAVIA

Finavia continued to grow during the first half of 2019

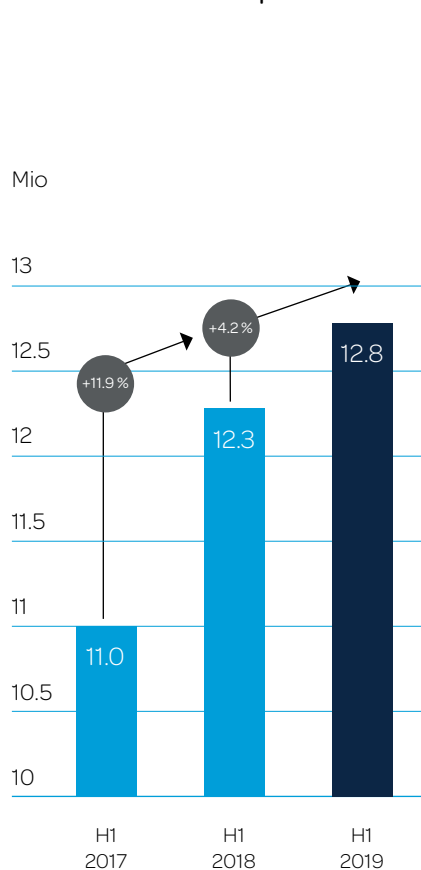
January–June 2019

- The total number of passengers was 12.8 (12.3) million, showing an increase of 4.2% from the first half of 2018.
- Revenues totalled EUR 195.7 (187.8) million, up by 4.2%.
- EBITDA before extraordinary items¹⁾ was EUR 68.7 (67.6) million, improving by 1.6%.
- Operating result before extraordinary items¹⁾ stood at EUR 25.3 (33.2) million, down by 23.9% due to higher depreciation.
- Cash flow-based investments totalled EUR 126.5 (96.3) million.
- Interest-bearing liabilities at the end of the review period were EUR 427.5 (263.2) million.
- During the review period, Finavia withdrew new long-term loans worth EUR 110.0 million.

Unless otherwise stated, the figures in brackets are from the reference period, i.e. the same period in the previous year.

¹⁾ Extraordinary items comprise write-downs from the Helsinki Airport Development Programme, the effects of new and reserved additional environmental provisions, and bonuses.

Passenger volumes in commercial air traffic at Finavia's airports



Group's key figures

	H1/2019	H1/2018	Change, %	2018
Total number of passengers, million	12.8	12.3	4.2%	25.0
Revenues, EUR million	195.7	187.8	4.2%	377.3
EBITDA, EUR million	66.4	77.6	-14.4%	143.1
EBITDA, %	33.9	41.3		37.9
EBITDA before extraordinary items ¹⁾ , EUR million	68.7	67.6	1.6%	136.9
EBITDA before extraordinary items ¹⁾ , %	35.1	36.0		36.3
Operating result, EUR million	22.9	42.7	-46.4%	66.8
Operating result, %	11.7	22.7		17.7
Operating result before extraordinary items ¹⁾ , EUR million	25.3	33.2	-23.9%	61.4
Operating result before extraordinary items ¹⁾ , %	12.9	17.7		16.3
Profit for the period, EUR million	19.1	32.3	-41.0%	45.3
Return on equity, %	5.7	10.1		7.0
Return on investment, %	4.4	9.4		6.9
Equity ratio, %	53.9	61.7		58.7
Cash flow-based investments, EUR million	126.5	96.3	31.4%	239.5
Net debt, EUR million	366.5	199.4	83.8%	300.3
Balance sheet total, EUR million	1,231.5	1,054.0	16.8%	1,133.3
Average number of employees (person-years)	2,295	2,145	7.0%	2,186

CEO Kimmo Mäki:

Passenger volumes in commercial air traffic at Finavia's airports increased in January–June by 4.2% (11.9%). The total number of passengers was 12.8 (12.3) million.

During the first half of the year, passenger volumes increased, in particular, at Helsinki Airport (totalled 10.6 million passengers, growth +5.0%) and at Lapland Airports (totalled 0.8 million passengers, growth +4.4%). In total, 2.2 million passengers (+0.3%) passed through Finavia's regional airports during the first half.

June 2019 was the busiest month in the history of Helsinki Airport, with two million passengers served. This positive development resulted from the opening of routes to new destinations and the entry of new airlines in Finnish markets, including Chinese Juneyao Air and Tibet Airlines, and Finnair's new routes to, for example, Los Angeles and Hannover.

During the period under review, there were a few changes in the operating environment, as the confidence of Finnish people in the national economy and general financial forecasts decreased. At the same time, public debate over the impact of air traffic on climate change intensified. Many factors that speed up the growth of air travel, such as increased travel to and from Asia, combined with people's thirst for experiences, remained strong.

The position of Helsinki Airport as a hub between Europe and Asia improved even further. The volume of transfer passengers on international flights increased by 15%. The total passenger volume at Helsinki Airport increased by 5.0% in January–June. Considering the other main airports in the Nordic countries, the passenger volume decreased by 4.8% in Stockholm and by 0.4% in Copenhagen, while it increased by 0.4% in Oslo.

The increase in Finavia's revenues reflects the increase in passenger volumes. In January–June, revenues increased by 4.2% (11.4%) to EUR 195.7 (187.7) million.

Profitability remained high during the first half. EBITDA before extraordinary items improved by 1.6% to EUR 68.7 (67.6) million, even though significant deployments related to development programmes of Helsinki Airport and Lapland Airports, together with investments in the maintenance of customer experience during the construction work, increased operating expenses.

Operating result before extraordinary items stood at EUR 25.3

(33.2) million, down by 23.9% due to significant investments and higher depreciation.

It seems that Finavia's strategic choices are steering the company towards its goals. In January–June, Finavia's development programmes proceeded as planned, revenues of commercial services was high and, as a result of productive work for the environment, all Finavia's airports became carbon-neutral one year ahead of schedule.

Despite the massive construction projects, Finavia was able to maintain customer experience at a high level. As an indication of a job well done, the Airports Council International (ACI) awarded Helsinki Airport for the best passenger experience in Europe.

During the second half of the year, the operating environment is expected to be more challenge due to the UK's possible withdrawal from the EU and slower economic growth. However, passenger volumes are expected to increase at Finavia's airports. Finavia focuses on maintaining its high customer satisfaction, increasing its cost-efficiency and reducing the environmental impact of airport activities.

Helsinki Airport Development Programme and investments in regional airports

Finavia's investments of over EUR 1.2 billion in Helsinki Airport and Lapland Airports proceeded as planned during the first half of the year.

A significant part of the expansions aimed to increase Helsinki Airport's transfer capacity was completed. Aukio, a plaza that serves passengers in the non-Schengen area, opened in February. The expansion of Terminal 1 opened in April, it was followed by the first expansion of the west pier in May, and the expansion of border control was completed at the end of June. These produced 43,750 square metres of new space. Five departure gates were opened for long-haul traffic, while short-haul traffic received seven new gates. In addition, a number of new restaurants, shops and lounges were opened.

Modifications in the current border control facilities and the second part of the west pier will be completed by the end of the year, when the expansion of the baggage handling centre will also be deployed. The expansion of gates 37–39 (i.e. the northern expansion) is also under construction. It will bring more capacity

and flexibility to non-Schengen and Schengen flights.

The expansion of Terminal 2 started in January–June with major rearrangements in parking and public transport areas. What is more, the construction of the new P1/P2 parking hall, planned to open in 2020, was also started. The construction of the new main entrance to Terminal 2 and new departures and arrivals halls will start at the beginning of August.

The development programme for Lapland Airports will be completed before the end of 2019, when the terminal and apron expansions at Rovaniemi and Ivalo Airports and the taxiway extension at Kittilä Airport will enter into use.

Financial position

Cash flow from operations in January–June stood at EUR 71.1 (57.9) million. Cash flow after investments was EUR -55.1 (1.3) million. Cash flow-based investments totalled EUR 126.5 (96.3) million.

Finavia's liquidity was good, with cash at bank and in hand being EUR 61.0 (63.8) million at the end of the review period. Finavia Group's interest-bearing liabilities were EUR 427.5 (263.2) million and interest-bearing net liabilities EUR 366.5 (199.4) million at the end of June.

During the review period, Finavia withdrew new long-term loans worth EUR 110.0 million. At the end of period under review, Finavia had EUR 165 million in unused long-term credit facilities taken out to finance the Helsinki Airport expansion. In addition, Finavia has a EUR 250 million short-term commercial paper programme, which remained unused at the end of the review period.

Outlook for the remainder of the year

Finavia expects its revenues for 2019 to increase slightly from 2018. In addition, it expects its operating result before extraordinary items to fall clearly behind the 2018 level due to higher depreciation.

The business review is unaudited.

Finavia Corporation

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Calculation of key figures

Return on investment, %	$\frac{\text{Profit (loss) before year-end allocations and taxes + financing income and expenses}}{\text{Equity + interest-bearing financial liabilities, average of opening and closing balance}}$
Return on equity, %	$\frac{\text{Profit (loss) before year-end allocations and taxes - income taxes from operations}}{\text{Equity + minority interest, average of opening and closing balance}}$
Equity ratio, %	$\frac{\text{Equity + minority interest}}{\text{Balance sheet total - advance payments received}}$
Interest-bearing net liabilities	Interest-bearing debts - Cash and cash equivalents

The term passenger refers to a commercial aviation passenger in this business review